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FOREIGN

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AGRICULTURE



Moving rice to market, Vietnam

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Why We Import Beef
Asia's Mekong River Basin
Sino-Soviet Economic Offensive



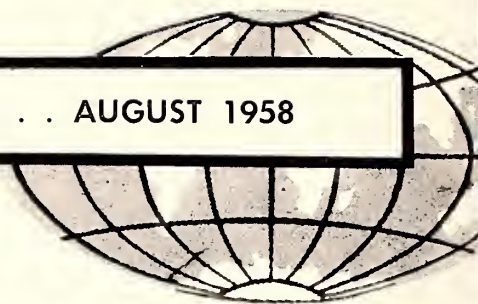
UNITED STATES DEPARTMENT OF AGRICULTURE • FOREIGN AGRICULTURAL SERVICE

FOREIGN

AGRICULTURE

VOL. XXII . . No. 8 . . AUGUST 1958

To report and interpret world
agricultural developments.



Problems of The Staff of Life

Wheat is one of mankind's oldest, most honored, and most nutritious foods. One of its biggest problems is that there is so much.

The world's farmers produce enough wheat each year to make somewhat less than one-half a loaf of bread each day for every man, woman, and child. This is not much bread. But it is more than is being consumed, for many people eat rice, corn, and other cereals instead of wheat.

Up to a certain point people do eat more wheat foods as their income improves. Beyond that, however, their use of wheat actually declines because those who can afford it prefer to eat less cereals and more higher-protein foods, particularly dairy and livestock products.

These two trends approximately offset one another. As a result, the world's bread-eaters are consuming about as much wheat as they did 40 years ago. The fact that total world consumption of wheat is increasing at all is mainly because the world's population is growing.

For a summary of the world wheat situation, especially as it affects the United States wheat grower, we recommend the article on "Foreign Competition in Wheat," on page 15.

Cover Photograph

In many parts of Southeast Asia rice is grown on small family plots and moved to market by sampan. How rice production would expand by harnessing the Mekong River is described in article on the opposite page.

In This Issue

	Page
Help for 17 Million People in Southeast Asia.....	3
Why the United States Imports Beef and Veal.....	6
Dollar Markets Abroad—United Kingdom	7
The Dollar Outlook in Central America.....	9
Sino-Soviet Bloc Pushes Its Economic Offensive.....	12
Recent Laws Reveal New Trends in Denmark's Agricultural Policy	14
Foreign Competition in Wheat.....	15
U.S. Jerseys and Brown Swiss Star at Peru's Livestock Show	17
Soviet Union Simplifies the Way It Acquires and Pays for Farm Products	19
Trading Post	20

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The story of man's growth could be written in terms of his epic concerns with water. In Southeast Asia, the lives of several million people are ruled by the rise and fall of one great river—the Mekong. Harnessing this river to control floods and store water for crops has been recommended by the U.N. Economic Commission for Asia and the Far East.

Help For 17 Million People In Southeast Asia



DEEP IN CHINA a stream begins from the melting snow and as it travels south along the borders of Laos and Thailand, and through Cambodia and Vietnam, it grows into a mighty river affecting the lives of 17 million Free World people who populate its watershed.

This river, the Mekong, one of the principal streams of Southeast Asia, derives its flow mostly from rainfall. It starts rising after the onset of the monsoons in May or June and attains its maximum level in September or October. It then falls quite rapidly until December and recedes slowly during the dry season to reach its lowest level before the start of the monsoons. Annually, it inundates several million acres of land.

In this area of the world where the abundant rainfall is unevenly distributed, there are periods both of drought and excessive rainfall. So far, little has been done to control the water supply

to suit the needs of the people. In the dry season, the shortage of water is a critical problem, both for agriculture and domestic use. In the rainy season, damage from floods is widespread.

Connected with the Mekong River as it flows through Cambodia is a large lake known as the Tonle Sap. This lake serves to greatly moderate the effects of flooding further downstream by acting as a huge storage reservoir. When the Mekong is at flood stage, the lake is filled, the flow into it beginning in June and continuing until October. Full, its surface area totals about 2.5 million acres. Then from October to May, the Tonle Sap reverses its flow, and its contents are drained back into the Mekong during the period when the river's flow has diminished.

Rice—The Big Crop

While economic conditions vary within the drainage basin of the Mekong River, the general level of living is low. Nearly all the people are farmers, and most of these are dependent on a single crop, as indicated by the fact that 86 percent of the area culti-

vated is devoted to rice. Crop yields are low, thus contributing to the poor standard of living.

In prewar years, the area normally produced an export surplus of rice and certain other crops. More recently, in years of adverse weather, the area has not even been self-sufficient. Northeastern Thailand grows a little tobacco and occasionally has a small surplus of rice. Laos is a deficit food producer, its principal resources being forest products and tin. In some years, Cambodia has small surpluses of rice, corn, and fish. South Vietnam usually has a surplus of rice and also grows rubber for export. Manufacturing is of very little importance throughout the region. In recent years, insecurity—largely the result of Communist activities—has tended to reduce production and interrupt communications, thus causing trade deficits.

Rice, the crop on which this area is almost totally dependent, is the crop most commonly damaged by adverse weather conditions. Plants that get off to a good start at the beginning of the season often are subject to drought be-

Prepared in Far East Analysis Branch from United Nations Report No. 2, "Development of Water Resources in the Lower Mekong Basin."



Photos courtesy ICA

Development at Mekong basin would provide canals, like this one in Cambodia, to irrigate new farmlands.

fore maturity. But sometimes sowing is delayed when early rains fail to arrive on schedule, with the result that the crop may be destroyed by floods before harvest-time. In low-lying areas where flooding is prolonged and deep, floating or semifloating rice is planted. Growth of this type of rice keeps pace with the rate of rise of the flood water. In some areas, late-season rice is planted after the floods recede and is harvested before the monsoons come.

Other Products

While a variety of dry-season crops are grown, they are of relatively little importance to the total economy of the area. Corn, the principal dry-season crop, runs the least chance of being destroyed by floods. Before the war, corn production in Cambodia was as high as 400,000 tons a year, but out-



Cambodian farmers get rice seed from Thailand. Rice is the main crop in the Mekong basin but the rise and fall of the river often limits its production.

put in recent years has been well below this figure. Other dry-season crops grown include sweetpotatoes, yams, haricot beans, soybeans, millets, tobacco, cotton, and mulberry. Although fruits and vegetables are produced, output is insufficient to meet local needs, and imports are required.

The forests, covering 40 percent of the land area of the basin, represent a major asset in the economy of Cambodia, Laos, and Thailand, but they have not been exploited on a significant scale because of inadequate facilities. In recent years, the only timber exports were small quantities of teak. Other timbers, less valuable and durable, are not exported at all. It is estimated that from Laos alone annual exports of timber could approach 2 million tons.

In sections subject to annual flooding, the higher areas along the banks, which are submerged only during extraordinary floods, are devoted to orchards or dry-season crops. On an average of about once in 9 years, floods occur before the dry-season crops and early rice are ready for harvesting. Damage to existing crops is both heavy and widespread. Nor is flooding confined to the delta. Broad areas of land on both sides of the Mekong in Laos and Thailand are also flooded, though only for a few days during exceptionally high water.

Sound agricultural development of

the lower Mekong basin depends on increased output from land now in cultivation and the opening-up of new farmlands, as well as on diversification of agriculture. Of the 14.1 million acres of land now cultivated in the basin, only 2.7 percent is irrigated.

If the river were harnessed to control the flooding and to store water for crop production, approximately 23 million acres could be provided with adequate irrigation. This would greatly reduce the risks of crop destruction by drought or flood and would insure higher yields. Much of the area which now grows only one crop of rice each year would produce two crops. Perhaps more important, other crops could be grown, particularly during the dry season, thus reducing the dependence of the area on a single crop.

Development of Basin

Recognizing the advantages of harnessing the river, the Economic Commission for Asia and the Far East (ECAFE) in 1956 sent a team of experts into the Mekong basin. Their task was to determine the feasibility of developing the water resources with respect to irrigation, drainage, flood control, hydroelectric power, and navigation. The team's report to ECAFE, in February 1958, recommended it and suggested five sites for development over a 20-year period. Of the five projects proposed, three would store water



Photos by Graham Quate

Cotton for sale in northern Thailand. Area's dry-season crops are small.



Roadside markets in south Thailand sell such wild tree fruits as durian.



Diversified agriculture is one goal of project. Other crops that could be expanded are sugar, above, and tobacco and teak. In Thailand elephants nose teak logs into rivers.

for irrigation and flood control, and four would lead to generation of power and improvement in navigation. The five locations are:

- An overflow dam at Pa Mong, in the northern part of Laos, for generating power and diverting water to irrigate the Korat Plain in Thailand and the Vientiane Plain in Laos. Irrigation canals would originate on both banks of the Mekong, one leading to the Vientiane Plain and the other to Udorn and then toward the south.

- A high dam at Khemarat, also in Laos, for generating power, moderating floods, and improving navigation.

- A dam at Khone Falls, in northern Cambodia, for electric power and also to facilitate navigation.

- A dam at Sambor, in Cambodia, to irrigate the fertile plains along the Mekong below Kratie, as well as to generate power.

- In the Mekong delta, also in Cambodia, a barrage at Tonle Sap to regulate the flow of water from the Mekong into and from the lake. Operation of the barrage would control floods in the rainy season and conserve water for irrigation during the dry period.

These projects are interdependent; consequently, integrated development and coordination among the countries is necessary. Of the five projects, those at Pa Mong, Sambor, and Tonle Sap, which would provide irrigation facili-

ties, have been given first priority. The Khone project would have second and the Khemarat project third.

Impact of Projects

In this area where most of the countries are not economically independent, the development of the Mekong basin could have a major impact on the lives of the people as well as on overall economic conditions. If the proposed irrigation facilities were constructed and the flood water brought under control, higher returns could be realized from present holdings and a much larger share of the basin's vast cultivable area could be brought into production. With higher yields and more extensive cultivation, rice would benefit most. In addition, greatly increased diversification would lessen dependence on imports of food and other agricultural products.

Industry would benefit too. Generation of cheap electric power would open up extensive possibilities for mining and industrial development. The sugar industry in northeast Thailand and in other countries of the area might be enlarged. Existing rice and sawmills in the lower basin now operated by steam or oil might advantageously switch to a power network. Greater navigability of the river would also promote new industries and permit exploitation of the area's untapped forest and mineral resources.



Why the United States Imports Beef and Veal

WHY DOES the United States, with a cattle population second only to that of India, buy beef and veal from abroad?

First, to give perspective, it should be noted that the beef and veal that the United States buys from foreign countries actually constitutes only a small percent of U.S. production. If all the beef and veal produced in this country last year were loaded in refrigerated cars, it would make a train long enough to reach from San Francisco to Boston—a distance of about 3,270 miles. A train loaded with last year's imports would hardly cover the 125 miles from Philadelphia to Washington.

A large part of the beef and veal imported by the United States is processed meat or meat for processing, which is bought during the late winter and early spring to supplement domestic supplies when U.S. production of processing beef is seasonally small.

Import Trends

How much beef the United States buys from abroad depends to a substantial degree on the level of U.S. meat production and cattle prices. In some years there is little cause to import. From 1951 to 1956, for example, U.S. production rose nearly 50 percent, and imports of cattle and beef during that period declined from 575 million pounds (dressed basis) to 247 million.

At the present time, the trend is in the other direction. Beef and veal output in 1957 dropped from the previous year's peak and continued to decline in the first part of 1958. At the same time, U.S. prices increased materially. The lowered production and increased prices have encouraged expanded imports to meet strong consumer demand.

This demand is not only strong, but is growing steadily. The United States is the world's largest consumer of beef and veal. Last year U.S. people ate 16.1 billion pounds—an average of 93 pounds per person. Both the number of people and the amount of beef and veal they eat are increasing. Larger supplies will be necessary to fill their needs, and U.S. livestock producers will be in the best position to capitalize on this growing market.

Currently there are no quantitative restrictions or limitations on imports of cattle or beef that meet U.S. inspection and sanitation standards. The presence of foot-and-mouth disease in many countries prohibits them from exporting fresh beef to the United States.

Foreign Suppliers

Imports come from many areas. Argentina, Uruguay, Paraguay, and Brazil are practically the only U.S. source of corned beef in consumer-size cans.

The market for this specialty product remains about the same from year to year. Another product that comes from these Latin American nations is canned roast beef, although some canned beef similar to that produced in Argentina is made in the United States.

Boneless frozen beef for use in making frankfurters and other processed meats is imported principally from New Zealand, Canada, Ireland, Australia, and Mexico. It is purchased mainly to supplement domestic output when U.S. supplies are seasonally short.

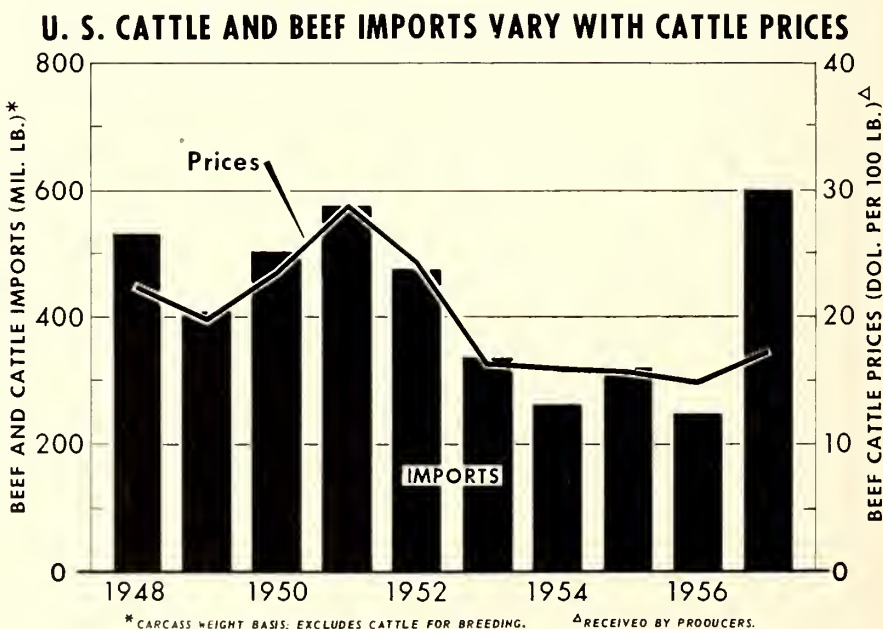
Carcass beef and cuts are purchased largely from Canada, Mexico, Costa Rica, and the Dominican Republic.

Most live cattle are imported for feeding and breeding and relatively few are destined for immediate slaughter. Many ranchers in the Southwest look to Mexico as a source of feeder cattle, but abundant feed supplies and a recent strong demand for feeder cattle have encouraged imports from Canada.

Nearly all foreign purchases of live cattle and calves for slaughter and for dairy purposes come from Canada and Mexico, also. Some breeding cattle, however, enter the United States from a number of countries.

Although the United States imports more beef than it exports, still it serves regular, constant export markets. It sends fresh and frozen beef to Canada and canned and cured products to

(Continued on page 18)



USDA

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Dollar Markets ABROAD

UNITED KINGDOM



EVER SINCE the first colonies were founded, English needs and tastes have helped to shape the development of rural America. Tobacco growing for the lucrative English market encouraged the rapid migration and vigorous colonization that created Virginia. Later, it was largely for this same market that cotton growing was introduced in the South. Likewise, it was the ready markets for grain in the United Kingdom that made possible the breaking up of our vast Middle Western plains areas. Even the growth of our fruit production was geared to supply the British market.

Britain's market for agricultural products is the largest in the world. Traditionally the United States has been its main supplier, though after the Ottawa Agreements were signed in 1932 the Commonwealth countries became more important as sources of supply. The United Kingdom is still the largest foreign market for U.S. farm products. However, for one group of these products — tobacco, cotton, fruit, and lard, the main U.S. exports before the war—the long-term trend of British imports has been downward.

After 1953 there was a considerable recovery in U.K. purchases of U.S. farm products, both absolutely and in relation to the United Kingdom's total agricultural imports. This recovery was largely due to the virtual liberalization

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of imports of farm products from the dollar area, including grains, soybeans, oilcake and meal, and cotton. And this liberalization took place despite the recurrence of balance-of-payments difficulties in the United Kingdom.

During the last fiscal year, U.K. purchases of farm products from the United States amounted to \$498.3 million. In the past few months, Britain's dollar balance has improved, and if this favorable trend continues, there may be hope of easing more of the restrictions on purchases of agricultural commodities from the dollar area. The recent allocation of \$20 million for fruit imports in 1958-59 supports this view.

In the past 20 years, the United Kingdom has greatly increased its own agricultural output. Before World War II, 60 percent of its food (as well as almost all of its fibers and all of its tobacco) came from abroad. But now, in response to the government's policy of encouraging home production and more efficient farming, British farmers are producing about half of the country's food requirements. Through incentive payments and other supports for farmers the total volume of agri-

cultural output has increased by more than 60 percent compared with pre-war. In flush seasons, there is now a surplus of fluid milk, eggs, and pork. Apple production, though not subsidized, has more than trebled since pre-war.

Commonwealth interdependence sometimes works to the disadvantage of U.S. products. Thus, a tariff preference permits free entry from Commonwealth countries for certain products that are taxed when imported from other countries. Also, certain bilateral agreements within the Commonwealth direct the trade to the exclusion of outside countries. Examples of this are the Meat Agreement with Australia and the Commonwealth Sugar Agreement. Too, British policy is to consult the Commonwealth and colonial interest before granting licenses to import competing commodities, such as fruit and tobacco from the United States. And the United Kingdom, as well as other countries, tends to direct its import trade in agricultural commodities toward countries that are likely to buy its industrial products.

There have thus been a number of factors impeding our farm exports to the United Kingdom. Yet these exports have continued on a large scale—no doubt partly owing to our ability to compete successfully with other suppliers in price and quality.

Lard

The one notable exception to our success in competition is lard. Even though there are no dollar restrictions on lard imports into the United Kingdom and though the quality of our product is good, our share of the total U.K. lard market has fallen from 76 percent in 1956 to 52 percent in the first quarter of this year. The reason is that lard from other suppliers is entering the United Kingdom at lower prices. In 1956, U.S. sales accounted for 75,230 tons, but last year they had dropped to 69,400 tons, although the U.K. lard market was expanding.

Tobacco

Tobacco is one of the two principal U.K. imports from the United States. However, purchases have shown a downward trend since the war. Although U.S. tobacco can compete in price with any other tobacco on a grade-for-grade basis, the present U.K. policy of favoring Rhodesian tobacco is restricting imports from the United States to around 160 million pounds each year. Some U.K. manufacturers feel that imports of U.S. tobacco for blending with leaf from other sources cannot be further reduced without impairing the flavor and aroma required

for good cigarettes. Others maintain that consumers may get used to the poorer types and not object to even further substitution.

Cotton

Our other principal export to the United Kingdom is cotton. Last year, U.K. purchases of cotton from the United States reached a peak of 1.1 million bales, with a value of \$171.1 million, representing 58 percent of total cotton imports. This, however, was an exception, due partly to the changed U.S. sales policy of offering cotton on a competitive basis, and partly to a reduction in U.K. imports of Egyptian and Sudanese cotton after the Suez crisis.

Our cotton competes freely with other cotton imports on the U.K. market, and has the advantage of a long-established trade. However, total U.K. cotton imports have been showing a downward trend. This is expected to continue, for the U.K. cotton industry is going through trying times. One reason is the stiff competition it faces from other countries such as India and Hong Kong for markets of cotton textiles both at home and abroad. Another is the failure of much of the industry to modernize its mills and machinery.

Grain

Despite the British policy of encouraging home production of food, the acreage devoted to grain has de-

(Continued on page 18)

Photo by Terence Wilson & Partners, Ltd.



Above, U.S. apples at Covent Garden market. Left and below, unloading U.S. lemons and tobacco on docks at London.



The Dollar Outlook In Central America

By WILLIAM F. DOERING
International Monetary Branch
Foreign Agricultural Service

The exporter's ideal of a trade area where he is free to compete on the basis of price, quality, and delivery terms comes close to reality in Central America and the Caribbean, where currencies are mostly convertible and trade restrictions relatively few. This article, fifth in a series, looks at prospects for continuance of a high level of free dollar trade in this region.

SOUTH OF THE border and north of the Panama Canal lies an important part of the "dollar area"—a region with which our steady, mutually beneficial trade is relatively unhampered by the quotas, licensing, and exchange restrictions which confront U. S. exports almost everywhere else. Central America has its share of problems of low income, underdevelopment, political unrest, balance-of-payments difficulties, and inflation, but, in general, it has struggled with them without drastic import restrictions or currency devaluation. Where trade controls are concerned, no news is in most cases good news.

Central America is made up of 10 independent countries, plus the new West Indies Federation and various dependencies of European countries and the United States. The importance of these 10 countries to U. S. agricultural trade is out of proportion to their relatively small population. Last year, with but 3 percent of the Free World population outside the United States, they took 7 percent of our farm exports. More importantly, 96 percent of this was straight dollar purchases.

At the same time, the United States, by reason of its climate, location, and population, is a large natural market

for many of the things Central America produces. Tropical and semitropical products, such as bananas, cacao, and coffee, are not grown at all in the United States. For others, like sugar, imports must make up a large deficit in domestic production. Thus our imports from Central America are largely "complementary"—a relationship which facilitates trade.

Central America's independent countries share, in varying degrees, many common characteristics: Economies that are basically agricultural; handicaps to internal transportation and communication; dependence on imports for most manufactured goods; and dependence on exports of one or two crops for the necessary foreign exchange. Mexico, with the most resources and the most diversified economy, is something of an exception, but even there, five commodities account for over three-fifths of all exports.

All Central American currencies are convertible except the Costa Rican colon and the Nicaraguan cordoba, on which certain small restrictions are maintained. For practical purposes, trade throughout the area is virtually unhindered by exchange restrictions. When it is remembered that some of the countries are poor nations with

only thin foreign exchange reserves, maintenance of convertibility is revealed as a substantial achievement. Convertibility continues to be a major aim of governments throughout the region.

Cuba is the American farmer's largest customer in Central America, accounting in 1957 for nearly half of our agricultural exports to that area. Furthermore, 99 percent of the \$147-million total was straight dollar sales.

This favorable situation reflected the general prosperity Cuba experienced in 1957. The sugar crop was excellent, and prices were unusually high, enabling increases in per capita income, in foreign exchange earnings, and in the favorable trade balance. Receipts from tourism and private capital investment compared favorably with previous years.

This year, the picture is not as bright. Sugar prices are lower, and the headline-making political disturbances earlier last winter are reported to have hurt both tourism and the inflow of investment capital. Despite these setbacks, Cuba's purchases of foods and other basic commodities from the United States should not decrease. The economy is strong, monetary reserves are adequate, and the government is one which has demonstrated its ability to cope with its financial problems.

Mexico, the other big customer, took about one-third of our 1957 agricultural exports to Central America, with 96 percent of the \$105-million total being purchased for dollars. This included shipments of corn and cattle

totaling about \$14.7 million, under credit programs of the Commodity Credit Corporation and the Export-Import Bank.

Despite a severe drought and weakening world prices of certain major exports—particularly lead, zinc, and copper—the Mexican economy at the end of 1957 continued to show strength and growth. Unlike its neighbors, Mexico has a diversified economy and consequently can better weather market slumps for individual commodities—e.g., copper. There is traditionally a foreign trade deficit, but this is offset by receipts from tourism, which has become the biggest single foreign exchange earner. The country has also

benefited from monetary and fiscal policies by which the government has sought to hold down inflation without retarding long-range economic development.

Serious and unusual drought conditions in 1956 and 1957 resulted in an 800,000-ton corn shortage. To minimize the adverse effects on the economy, the government negotiated a purchase with Mexican pesos of approximately 500,000 tons (\$28.2 million, including freight) under our Public Law 480 sales program. (This is the only P.L. 480 agreement with a Central American country.) In addition, dollar procurement was stepped up, including negotiation of two large purchases under the CCC credit program.

Mexico's reserves of gold and dollars at the end of 1957 were down about 7 percent from the year before, but were still substantial. Exchange earnings in 1958 are somewhat uncertain because of the continued price weakness of certain export commodities; nevertheless, Mexico's financial position remains relatively strong. Since U. S. corn shipments will be boosted by the programs mentioned, and since regular trade in other commodities may continue without major change, the total of agricultural exports will increase. But it should be remembered that, barring new and unforeseen ca-

lamities for Mexico, part of this increase will be only temporary.

Among the smaller countries, prosperous *Panama* was the largest customer—\$12 million for 4 percent of the total—in 1957. Panama's main export commodity, bananas, experienced a good year, and earnings were high. With a favorable balance in merchandise trade and with substantial direct and indirect receipts from the operation of the Panama Canal, gold and dollar reserves continued their strong uptrend to a new high at year's end.

All the remaining seven countries are important coffee exporters and have been affected by the depressed condition of the coffee market.

El Salvador, which had a short crop, was able to stay within the export "quota" set by the coffee-producing nations in a move to stabilize world prices. El Salvador's exchange reserves have held steady and, although there is continued concern over coffee prospects, the basic economic situation and outlook are strong.

In *Guatemala*, lower coffee receipts have coincided with a period of internal economic expansion. A sizable increase in imports of both consumer goods and capital equipment has been financed in large part by inflows of investment capital, World Bank loans, and U. S. aid. Guatemala was the only Central American country in which a substantial share—27 percent—of agricultural imports from the United States was financed with aid funds. With the boom continuing, it is hard to see how some loss in reserves can be avoided during 1958.

Costa Rica's situation is characterized by economic growth, a high level of trade, imports increasing faster than exports, and balance-of-payments difficulties, present but under control. This situation is expected to continue without major change in 1958.

Nicaragua has been striving through monetary and fiscal measures to build up its foreign exchange. The program has had a measure of success in that reserves, although still not high, have been increased somewhat at a time when export prices have been under pressure. The achievement of a modest payments surplus in 1958 remains an objective of government policy.

U. S. AGRICULTURAL EXPORTS TO 10 CENTRAL AMERICAN COUNTRIES, BY TYPE OF FINANCING, 1957

	Exports Mil. dol.	Sold for dollars ¹ Percent	Other financing ² Percent
Costa Rica	5,450	93	7
Cuba	146,813	99	1
Dominican Republic	5,980	100	—
El Salvador	5,664	93	7
Guatemala	9,117	73	27
Haiti	8,318	89	11
Honduras	4,124	92	8
Mexico	103,512	96	4
Nicaragua	3,704	100	—
Panama	12,385	94	6
Total	305,067	96	4

¹ Financed by the importing country's dollar exchange.

² Shipments under U.S. aid programs and barter arrangements, plus \$374,000 sales for Mexican pesos.

³ Includes approximately \$14.7 million under the credit programs of the Export-Import Bank and CCC.

Central America's 4 big farm exports, as percent of total exports, 1953-56

	COFFEE	BANANAS	SUGAR	COTTON
Costa Rica	46%	41%		
Cuba			80%	
Dominican Republic	25%		41%	
El Salvador	84%			
Guatemala	71%	18%		
Haiti	71%			
Honduras	21%	55%		
Mexico	13%			27%
Nicaragua	41%			33%
Panama		71%		

SOURCE: FEDERAL RESERVE BULLETIN

Honduras suffered for most of 1957 from uncertainties attendant to a change in government. Despite a surplus of merchandise exports, outflow of funds for various nontrade types of payments produced an overall deficit in 1957. The decline in reserves also continued into the early part of 1958, a season when they normally show a rise. As of May 1958, the new government was still wrestling with the difficulties of bringing the national budget under control and of stemming exchange losses.

In the *Dominican Republic*, coffee problems have been more than offset by the relatively favorable situation of sugar, the leading export. From an economic standpoint, the country had a satisfactory year in 1957, and no major change is indicated for 1958.

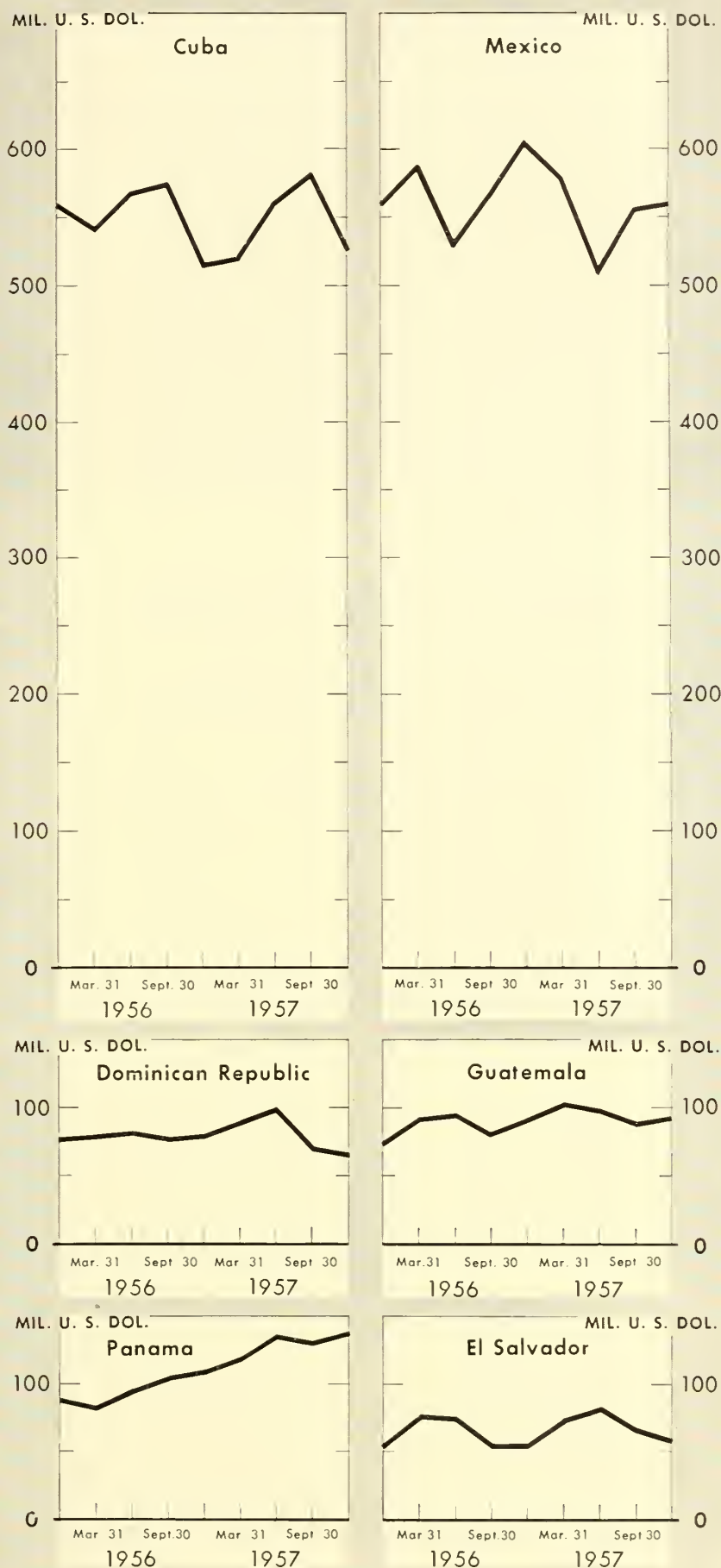
Haiti is still attempting to recover from the effects of the 1956-57 drought which destroyed half the coffee crop and exhausted the nation's already meager exchange reserves. Payments deficits have occurred in 6 of the last 8 years, and only U.S. aid and other external financing have enabled maintenance of convertible currency and relatively unrestricted trade. There has been some improvement in the exchange position in recent months, but the situation remains difficult.

Outlook

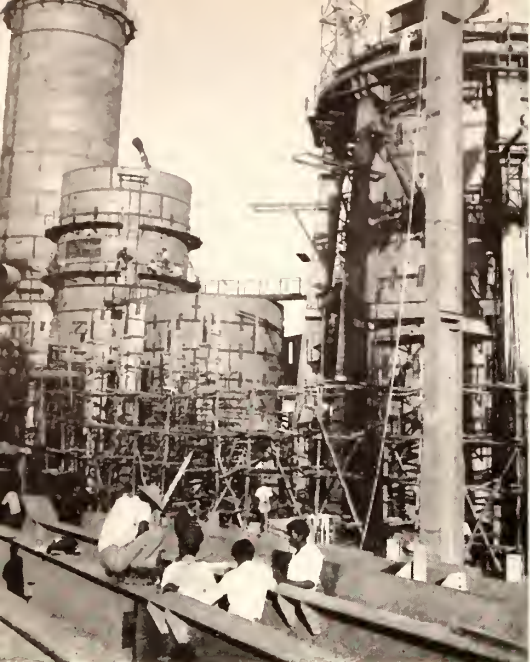
This year, Mexico's purchases for dollars may decrease somewhat, for reasons indicated, but the P.L. 480 program should take up the slack, and total exports to Mexico may well increase. Exports to the other countries, with the possible exceptions of Honduras and Haiti, are expected to equal those of 1957, or even be slightly higher.

Where there are balance-of-payments and foreign exchange problems, action to meet them can be expected without major adverse effects on trade. Likewise, the assurance of large-scale U.S. demand for Central America's products will continue to influence favorably our export outlook so that total U. S. agricultural exports this year should be at least up to the \$305-million level reached in 1957. More likely, they will experience a modest yet healthy increase—with straight commercial sales paid for in dollars remaining the dominant pattern.

Gold and dollar holdings in Central America



SOURCE: FEDERAL RESERVE BULLETIN



Courtesy Indian Embassy



Courtesy Natural Rubber Bureau

Left, partly completed blast furnaces of the Bhilai steel mill in India, largely built with Soviet money. Right, an over-tapped rubber tree in Ceylon, where Soviet aid is improving production.

Reshaping World Trade

This relatively new dimension that has been added to the conflict between the Free World and the Communist World has many implications, and one of them is in the realm of world trade. If carried to its ultimate conclusion, the Communist economic and political drive could reshape trade patterns to the disadvantage of the Free World. Performance has shown that once a country is in the Communist grip, trade becomes a state monopoly and is carried out more for political ends than for economic reasons. Any effort to restrict or control trade for political purposes poses a threat.

For U. S. agriculture this threat has particular meaning. In 1956 the United States exported to the countries now accepting Soviet aid farm products valued at over \$235 million and in return imported farm products totaling well over \$355 million. For both sides this trade was mutually advantageous. U. S. grains and other farm products were shipped to those countries where the need for them was great. At the same time, their tropical and semitropical products contributed to the U. S. standard of living. Should these countries, intentionally or unintentionally, align themselves with the Communist Bloc, U. S. agricultural trade would suffer.

Furthermore, the Sino-Soviet economic offensive points menacingly at the life lines of such important U. S. allies and trading partners as Britain, Western Europe, and Japan. These heavily industrialized countries depend on foreign trade, and this leaves them dangerously exposed to forces that can shrink or control trading opportunities. And since the economies of the Free World are interdependent for joint defense, raw materials, and general economic stability, one country's danger becomes a concern for all. For

Sino-Soviet Bloc Pushes Its Economic Offensive

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SINO-SOVIET economic penetration of the less developed agricultural areas of the world has expanded rapidly since this offensive was launched in 1953. By early this year, the Communist countries had negotiated loans and grants with 15 different nations, and these had reached the imposing sum of \$1,488 million, including military aid. (U.S. foreign aid has been many times that of the Bloc.)

Recent events strongly suggest that this economic drive will be pushed vigorously for some time. The goal is but thinly veiled. In making economic aid and trade an integral part of its diplomacy, the Communist bloc seeks to promote its political objectives. It hopes to reduce the influence of the United States and its allies and to increase its own prestige and power over large areas of the world.

The underdeveloped, agricultural lands of Asia, Africa, and Latin America have been singled out as opportune targets for economic penetration. Here

the stakes are high. These vast areas contain a large share of the world's population and much of the world's total supply of untapped resources. Also, they offer opportunities for profitable trade.

With a few exceptions, the nations that have been showered with sweeping offers of aid and trade are only a few years removed from colonial status. Their foremost concern is to develop industry, foster economic growth, and achieve national identification. And if any progress is to be made along these lines, foreign capital, technical assistance, and markets for exports—largely raw materials—are urgently needed. On the surface, the Sino-Soviet countries appear to offer all these things as a friendly, constructive gesture to help less developed countries meet pressing needs. Political strings are carefully hidden. Thus, it is not surprising that countries with formidable economic problems have difficulty in rejecting these Communist offers.

example, in recent years, Britain, Western Europe, and Japan have provided a market for about two-thirds of U. S. farm products. These areas can continue to purchase our products only if they can continue to buy raw materials and sell their manufactured goods in world markets.

Countries Accepting Aid

The underdeveloped countries have things in common that tend to make them vulnerable to Communist aid and trade offers. All of them are predominantly agricultural, all are economically underdeveloped. Living conditions are for the most part austere. Increasing population pressures on limited resources, low production levels and rates of increase, and rising demand make capital accumulation from domestic sources very difficult. The attraction of these countries for the Soviets lies in their vast population—nearly one-fourth the world's total—their raw materials, and, in some cases, their strategic geographic location.

Country by country, the progress made to date in gaining a foothold among the underdeveloped areas of the world appears to be as follows:

Afghanistan.—Bordered on the north by the USSR and on the east by Red China's Sinkiang Province, this rugged, mountainous country is highly exposed to Communist pressure and influence. In 1956, more than 20 percent of its total trade was with the Soviet Union, including three-fourths of raw wool and cotton exports. Most of its karakul, however, is purchased by the United States.

So far Sino-Soviet economic assistance to Afghanistan has been around \$138 million. This is being used for the following projects: 4 irrigation schemes, 2 grain elevators, a grain silo, a flour mill, a bakery, a fruit cannery, petroleum storage tanks, 2 hydroelectric stations, 2 asphalt factories, an airport, a vehicle repair factory, a chemical testing laboratory, and a highway.

Burma.—This Southeast Asian country borders both Communist China and North Vietnam. Of the principal farm crops, rice is by far the most important; and in recent years when depressed world prices for rice caused serious problems for Burma, both the USSR and Communist China have

bought Burmese rice.

Sino-Soviet economic assistance to Burma has reached around \$42 million. The money will be used for expanding a government-owned textile mill, providing Soviet technicians to help carry out Burma's agricultural development program, and supplying Rangoon University with scientific equipment, books, and a technological institute. About 30 Soviet technicians have reportedly arrived in Rangoon to begin construction of the institute.

Cambodia.—Although Cambodia is not bounded by a Communist state, with the fall of North Vietnam the Bloc's geographic borders moved closer. Economic assistance has come from Communist China—a \$22-million grant to be used for irrigation pumps and oil drilling equipment, and for the construction of cement, paper, textile, and plywood factories. Chinese specialists and technicians are assisting with these projects.

Ceylon.—Ceylon's location off the southern tip of India lies on major East-West trade routes. Tea, rubber, and coconut products account for more than 90 percent of its foreign exchange earnings. This trade is still oriented toward the West; however, since 1952 a large part of Ceylon's rubber has been shipped to China in exchange for rice. Economic aid to Ceylon, now

The Communists single out underdeveloped lands for economic penetration. Right, pounding rice by hand in Burma. Below, typical poor village, Nile Valley.

more than \$20 million, is concentrated on improving rubber production.

India.—The importance of India as a prize target is readily apparent. The subcontinent's land total is placed at 1,285,000 square miles, its population at roughly 400 million. Loans to India have added up to \$295 million.

Credit to India features major assistance in building the Bhilai steel mill. For this project alone, 5,000 Indians are being trained, some of them in the USSR. The aid program also includes: development of a heavy machine in-



Asia Photo Studio, Rangoon



dustry, laboratory equipment and technical personnel, and more than 600 items of agricultural machinery for a 3,000-acre mechanized farm which the Soviets are developing as a gift to India.

Indonesia.—As of February 1, 1958, economic aid to the amount of \$109 million has been promised to Indonesia. More funds have subsequently been used to build a sugar mill and a tire factory and to purchase Soviet jeeps. As usual, Bloc technicians aid in construction and maintenance work, and reportedly the number of technicians in the country has increased sharply within recent months.

Egypt.—Egypt's attraction for the Sino-Soviet countries is not only its control of the Suez Canal, but its strong position in the Middle East. As in India, credits agreed to have been heavy—\$235 million in economic aid and \$250 million for military needs. Also, large numbers of technical specialists have been concentrated in Egypt, particularly from Eastern Germany, Czechoslovakia, and Poland.

Prior to receiving this economic aid, Egypt traded primarily with the West. Then it began shifting sharply toward the Communist countries, so that by 1956 more than one-fifth of Egypt's exports went in that direction, and by 1956, some 36 percent.

Syria.—An increasing share of Syria's trade has also turned toward the Communist countries. Economic aid promised to Syria totals \$194 million. The Czechs are building an oil refinery, but most of the projects have not yet passed the survey stage.

Yemen.—Economic aid to Yemen—now a part of the United Arab Republic along with Egypt and Syria—consists largely of an interest-free loan of \$16.3 million recently made by Communist China. The credit is to be used for road construction, a cigarette factory, glass factory, tannery, sugar mill, and textile plants. Coffee is Yemen's cash crop, though cotton production is increasing. Trade with the Bloc countries has not been very extensive, but efforts are being made to promote it.

Sino-Soviet Capabilities

The Communist Bloc in challenging the Free World to compete in produc-

(Continued on page 17)

Recent Laws Reveal New Trend In Denmark's Agricultural Policy

This summer the Danish Parliament passed two laws to aid Danish agriculture—a grain law and a law authorizing the Minister of Agriculture to regulate agricultural exports. The laws have a significance beyond their immediate content and effect, for they represent a departure from the basic Danish policy: that in normal times agriculture—the country's major export industry—must maintain its production and competitive position with a minimum of government intervention.

Denmark is one of the few countries whose farmers in recent years have seen prices for their major products determined by—and fluctuating with—the prices obtainable in export markets. The new Grain Law (applying to 1958-59 only) sets floor prices for wheat and rye: \$1.88 and \$1.66 per bushel, respectively. It also continues last year's obligation to incorporate certain percentages of domestic wheat and rye in flour milled. Further, minimum prices will be set for imported coarse grains and maintained through import fees. The funds obtained may possibly be used to reduce the price of oilcake to small farmers, thus compensating them for higher feed-grain prices.

The stated purposes of the act authorizing measures to regulate exports are (1) to prevent exporters of Danish farm products from underselling each other in foreign markets or selling at prices so low that they cause purchasing countries to restrict imports, and (2) to help adjust the supply of export products to existing demand. The law requires the Minister to consult with a committee of trade and agriculture representatives before introducing such measures. These may include fees on exports as well as on domestic sales, the proceeds to be used for export promotion. Fees on domestic sales cannot be higher than those on export sales.

Behind the enactment of these laws lie the difficulties caused Danish farmers by disastrously low butter prices plus lower prices also for pork and eggs than in the preceding year. Ac-

cording to Danish farm accounts, net returns on capital invested in farming averaged 6.7 percent in 1953-54, 4.1 percent in 1954-55, and 5.1 percent in 1955-56. The figure for 1956-57, computed tentatively at 0.3 percent, indicates the severity of the recent cost-price squeeze.

It is clear that whatever helps maintain export prices helps all Danish farmers. The Grain Law, on the other hand, will primarily aid the larger farmers, who are the grain sellers. It will mean higher costs for the smaller farmers who are buyers of feed grains, although they may get compensation in the form of reduced oilcake prices. That the Danish authorities were willing to propose and enact the Grain Law despite this drawback is explained in part by its effect on the farm wage.

When the farm wage negotiations began in the spring of 1958, farm employers, in view of their economic plight, demanded a 10-percent reduction in farm wages. Farm labor demanded wage increases in line with those obtained by other labor groups. The Federation of Farm Employers insisted that no increase was possible unless the government provided aid for the hard-pressed farmers in some manner. The government therefore worked out the proposals now enacted—which are in line with proposals submitted earlier by the main farm organizations—with the understanding that if the Grain Bill were passed the employers would agree to a wage increase.

How will the Grain Law affect U.S. farm exports to Denmark? The fixed prices and the milling rates for bread grain are likely to reduce the need for imported wheat and rye. This may, however, mean less Danish bread grain available for feed; imported feed grains will have to fill the gap. For feed grains in general, the overriding factor in determining import needs will be the export possibilities for livestock products. The fee on feed grains could lead to some imports of oilcake instead of feed grains, rather than to a reduction in total feed imports.

Foreign Competition In Wheat



WORLD TRADE in wheat has increased from 640 million bushels in prewar years to well over a billion in recent years. Yet, large stocks have accumulated in North America and now amount to 1 year's average production in the United States and about 2 years' production in Canada. Deficit countries, especially in Europe, have increased wheat production tremendously; and, despite this fact, surplus-producing countries have continued to turn out more and more wheat for export. As a result, competition among exporting countries for foreign markets is keener today than at any time in history.

The share of the world's annual wheat production moving into export channels ranges between 15 and 17 percent. Other grains are largely stay-at-home crops, the export share running around 10 percent for barley and 3 percent for rice and corn. For rye, oats, and grain sorghums, it is even less. Also, because of its importance in human food, wheat plays a more important role in international political and economic relations than most other commodities.

Millions of farmers throughout the world depend on wheat as the main source of their income, and for some countries, wheat and flour exports are their principal means of gaining foreign exchange. By the same token, imports of wheat and flour constitute an important debit item in the international balance of payments of many of the deficit-producing countries.

The importance of wheat in international trade also stems from the fact that many countries have not been endowed with soil and climatic conditions

requisite for its production on an economic basis. Even many countries that have these favorable conditions are unable to produce all that they consume because of large populations and pressures for the land. Their deficits must be offset by imports. This is particularly true of most European countries.

Buyers and Sellers

As a geographic unit, Europe is not only the world's largest wheat-producing area but also the world's largest importing area. During the past several years, Europe alone has provided the market for roughly 55 percent of the world's average exports. It would have taken even more had it not been for governmental policies and programs aimed at a higher degree of self-sufficiency. In the same period, Asian markets took 24 percent, the Western Hemisphere 15 percent, and African markets 6 percent of the world's exports.

On the other hand, there are a number of countries where large-scale wheat production is not only favored

by soil and climatic conditions but where production costs, advances in production techniques, mechanization, and sparse populations per unit of land have facilitated production of more wheat than is needed for domestic requirements. Outstanding in this group are the United States, Canada, Australia, and Argentina.

The last three countries constitute our traditional competitors in the world wheat market. Lately, France has joined the group. The shares of the five countries in the world's estimated exports of 1.1 billion bushels during 1957-58 were: The United States, 390 million bushels or 35 percent; Canada, 300 million or 27 percent; Argentina, 85 million or 8 percent; France, 75 million or 7 percent; and Australia, 70 million (very low because of a poor crop) or 6 percent.

These five countries will supply about 85 percent of the world's wheat exports in 1957-58. The balance will come mainly from Russia, North Africa, Uruguay, the Danube Basin, and the Middle East.

Wheat Problem

Much has been said about the world wheat problem. In simplest terms, it is the fact that more wheat is being produced than is being consumed. This has led to an accumulation of burdensome stocks in the exporting countries. These stock accumulations are the result of:

- Increased acreage and yields in importing areas and return of production to higher than prewar levels.
- Adoption of policies by importing countries to make themselves more self-sufficient regardless of cost.
- Upward trends in yields and production in exporting areas following long periods during which they had been urged to expand acreage, partly through price incentives, because of wartime and postwar shortages.
- Continued production at higher-than-needed levels in exporting areas.

The result has been disequilibrium between world supply and effective demand. Numerous and often complicated measures have been adopted by nations to cope with this imbalance. As a result, virtually all of the world's wheat today is marketed under special governmental and intergovernmental

WHEAT PRODUCTION

Year beginning July 1	United States	Foreign	World
	Mil. bu.	Mil. bu.	Mil. bu.
Average: 1934-38	716	5,149	5,865
1945-49	1,202	4,708	5,910
1950-54	1,094	5,881	6,975
Annual: 1955	935	6,465	7,400
1956	1,004	6,791	7,795
1957	947	6,658	7,605

WHEAT EXPORTS

Year beginning July 1	United States	Foreign	World
	Mil. bu.	Mil. bu.	Mil. bu.
Average: 1934-38	56	583	639
1945-49	423	455	878
1950-54	335	633	968
Annual: 1955	346	696	1,042
1956	549	731	1,280
1957 est.	390	710	1,100

arrangements. These arrangements have had a profound impact in world markets on the competitive status of the United States and other exporters.

What the Goals Are

For both importing and exporting countries, the overall objective is maintenance of desired levels of agricultural income and satisfactory balances of foreign currencies. To that end, deficit-producing countries seek to minimize import needs and to obtain what must be imported at low prices. Surplus-producing countries, in turn, seek to develop markets for their expanding production at maximum prices. Obviously, these are approaches that work against each other.

In importing countries, primary objectives of the wheat programs have been to support farm income, stimulate increased production, attain a greater degree of self-sufficiency, and reduce strain on foreign exchange reserves. Some of the measures adopted for the accomplishment of these objectives are—relatively high producer price supports for wheat; subsidies for such production requisites as fertilizers, machinery, and motor fuels; reductions in imports through tariffs, country and global import quotas, import licensing systems, foreign exchange controls, bilateral trade agreements, and government import monopolies; compulsory utilization by local mills of fixed quantities of home-grown wheat, and subsidies to flour mills, bakers, and consumers to soften the impact of high support prices for home-grown wheat.

The results of these measures are far reaching. They stimulate more intensive cultivation and greatly increase production—but at costs much higher than in exporting areas—and they encourage production of high-yielding wheats at the expense of quality. They require millers to make adjustments in milling procedures in accordance with continually changing extraction and blending rates, increase their technical difficulties in making flour of desired quality, and force them to pay more for home-grown wheat than for better-quality imported wheat. Consumers are also forced to pay more for flour and other wheat products, except where protected by subsidies and other measures. And to cap it all, supplies of

relatively low-grade home-grown wheat have been increased to such an extent that in several instances governments have diverted wheat to feed use or export.

The exporting countries have also adopted a variety of measures affecting wheat production and trade. They include producer price supports, export sales on special terms or at favorable exchange rates, and special barter and other bilateral sales agreements.

In some countries, the government or government-authorized agencies have a complete monopoly of export transactions. In addition, there are subsidies to allow for governmental absorption of losses on exports as well as special foreign exchange arrangements and other concessions to facilitate exports.

Price supports in exporting countries also have tended to encourage increased production, sometimes as a result of acreage increases and sometimes because of more intensive cultivation and higher yields. In principal exporting countries, government controls over sales in domestic and foreign markets have eliminated, for all practical purposes, the one-time possibility for farmers to sell wheat in the open market for whatever price it would bring. Governmental promotion of export outlets for the increased production resulting from price supports has frequently resulted in seemingly unfair encroachment upon traditional markets of other exporters. The net effect of these interventions by governments of importing and exporting countries has been failure to bring about needed adjustment in world wheat supply and demand.

Potential Demand

In spite of the surplus production, there is not too much wheat in the world. For fully half of the human race, the principal cereal is wheat, but per capita consumption in many areas is still relatively low. Virtually the only areas where it is not the most important cereal in the diets are those where production of such other grains as rice, rye, corn, and grain sorghums has a comparative advantage.

The economically underdeveloped areas of the earth provide a vast potential market for wheat. But this market

A REVIEW OF— World Dollar Problem

The World Dollar Problem, by Donald MacDougall. MacMillan & Co., Ltd., London; St. Martin's Press, New York, 1957.

The author, a distinguished British economist, contends that the world's trade balance with the United States is more likely to worsen than to improve over the next 20 years. Neither net service transactions nor U.S. investment abroad would, he thinks, change the prospect that the rest of the world will at some future time run into serious deficits with the United States. The reasons for this expectation, according to the author, lie mainly in structural economic differences between America and the rest of the world—differences among trends in demand, in productivity, and in prices.

Though opinions will vary as to the validity of Sir Donald's central argument, the book makes most interesting and informative reading. The appendices in particular give a wealth of material and much valuable analysis.

can be developed only if efforts to educate the people there on the value of wheat in their diet are accompanied by improvements in nutritional standards and per capita incomes.

Other factors pointing to a substantial increase in the world demand for wheat include the rapid upward trend in world population; continued shift from rye and other grains to wheat in the diet; failure of world rice production to keep pace with population growth, particularly in areas where rice is the most important item in the diet; and persistent struggles throughout the world to improve nutritional levels and diversify the diet.

Thus, a substantial increase in world demand for wheat may be expected in the years ahead. This will be the case even if actual per capita consumption levels should remain unchanged; and even if continued upward trends in consumer purchasing power in countries already enjoying moderately high living standards may cause some shift from wheat to more meat, dairy products, and other foods.

Sino-Soviet Economic Offensive

(Continued from page 14)

tion and trade would appear to be acting illogically, for obviously, the combined industrial, agricultural, and technological resources of the latter are much stronger than the aggregate strength of the Communist countries. The Bloc knows this; in fact, freely admits it, yet confidently predicts success. On what is this confidence based?

Communist economic capabilities, when measured in concrete terms, show that the center of strength is concentrated in the USSR and the European Satellite nations. (China's own needs are too great for it to figure very large as a source of economic aid.) A rough measure of the ability of these countries to mount and sustain a strong economic offensive can be seen by comparing their gross national product with that of the United States. Such a comparison shows that the Soviet Union and its European satellites have a gross national product of about \$235 billion, whereas the United States' alone is more than \$400 billion. It is projected that over the next few years their total output will increase by about 5 percent a year and that their GNP may reach nearly \$350 billion by 1965.

These estimates, of themselves, do not point up the true capability of the Soviet Union and its satellites to carry out their economic drive, though they do show a substantial economic and industrial base. Where they are misleading is that they fail to take into account that these Communist countries can, if they want, deprive their own citizens, support a substantial economic aid program, and still use only a very small fraction of annual production.

This capacity that the Communist system has to concentrate on a few well-chosen targets has produced formidable results in industry, education, and science and has enabled the Bloc to challenge the West in these fields. And now the same technique of concentrating on a carefully chosen objective—in this case, the underdeveloped countries—is being tried in the hope of advancing political aims and winning over more countries to the Communist side.



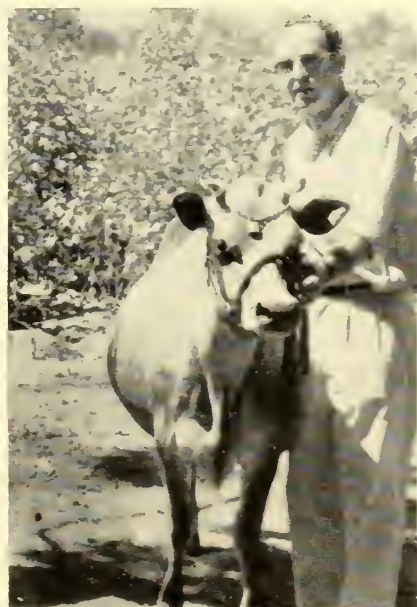
Photos by Francis H. Jack

High-quality Peruvian Holsteins on washing rack at Peru's 1958 National Livestock Exposition. Owners of best dairy cattle won U.S. Holstein bull and calf.

U.S. Jerseys and Brown Swiss Star at Peru's Livestock Show

Brown Swiss bull consigned by Paul Dirkson of Ohio brought \$1,666 at auction, the record price for Peru.

Prize-winning U.S. Jersey heifer. Practically unknown in Peru, this breed was hit of show. Popular too was the Scotch Hyland calf and its mother (bottom, right), nuzzling the feedbox.



Dollar Markets

(Continued from page 8)

creased steadily since the war, although it is still well above the prewar level. During this time also, imports have been going up, and the United States has enjoyed the main increase. Last year's U.S. exports of grain to the United Kingdom amounted to 2.4 million tons, second only to the amount bought from Canada.

Normally the United Kingdom buys most of its wheat and barley from Canada, but the United States is the main source for imports of corn. Barley imports from the United States have increased in recent years from 12,000 tons in 1955 to 106,000 tons in 1957. British importers are pleased with the U.S. product and the possibilities of a continued good trade exist in this market, which is a free one.

The British want mainly a hard wheat with a high protein content to blend with their own soft wheat. Thus, to compete in this market, which also is entirely free, the United States must furnish a wheat of high quality. Some filler-type wheat might also be sold, but at a low price in competition with Australia and France.

It is likely that U.K. requirements for corn and other feeds, including oil-seed cake, will increase considerably during the next few years with the development of the British broiler industry. This industry, now just getting started, is growing rapidly and hopes eventually to reach an annual output of 300 million birds—about 10 times its present rate. For the United States, this could mean an annual market for about 250,000 tons of corn and 200,000 tons of soya meal. Whether this market materializes, however, depends first of all on whether British consumers can be persuaded to eat much larger quantities of fowl than they have been accustomed to. Changing the eating habits of the people may be a much slower process in Britain than it has been in the United States.

Fruits and Vegetables

Before the war, U.K. fruit importers bought about 30 percent of all U.S. fruit exports. In recent years the United Kingdom's purchases have fallen to 9 percent, and most of them have been through aid programs. Neither the

British importers nor the U.S. exporters are content with this condition.

Restriction of U.K. fruit imports has been premised on dollar shortages. The United Kingdom's recent announcement of a program to allocate exchange for imports of fruit from the dollar area is a step toward permitting some commercial trade with the United States. However, vested interests in Europe and some of the Commonwealth and colonial countries are developing to such an extent that future policy may be unduly influenced, to the detriment of both the U.S. producers and the U.K. consumers.

U.S. and Canadian exports of apples to the United Kingdom before the war made up almost half of the total U.K. supply. Since the war these two countries have supplied only about 6 percent of the consumption requirements. U.S. exports of dried fruit to the United Kingdom are only 12 percent of U.K. supplies, as against 23 percent before the war.

In contrast, exports of dried beans and peas to the United Kingdom have increased rapidly. In 1957 we supplied about 50,000 tons of dried beans or about half the total imports, compared with less than 100 tons (0.2 percent) annually before the war. For blue and green whole dried peas, our sales of 10,000 tons in 1957 constituted about 25 percent of total U.K. purchases and made us the largest supplier after the Netherlands.

Prospects

The pattern of U.K. imports has altered in the past few years, and further changes are likely. True, total

TRENDS IN U.K. AGRICULTURAL IMPORTS			
Source	Wheat 1,000 bu.	Tobacco 1,000 lb.	Cotton Mil. bales
Average 1934-38:			
United States	7.5	213.1	119.1
Rest of world	180.3	61.6	170.4
Total	187.8	274.7	289.5
Average 1946-50:			
United States	10.8	207.4	50.0
Rest of world	137.4	115.8	132.8
Total	148.2	323.2	182.8
Average 1951-55:			
United States	21.0	158.2	44.6
Rest of world	127.9	151.7	115.9
Total	148.9	309.9	160.5

Why We Import Beef

(Continued from page 6)

British Guiana, Jamaica, Surinam, and other countries. In the past, the Philippines was a big market for U.S. canned and cured beef products, but this outlet is closed at present by import restrictions designed to conserve dollar exchange. During the last 2 years, P.L. 480 programs introduced U.S. frozen beef to Spain, Turkey, and Israel.

Also, the U.S. cattle industry depends on foreign markets' taking significant quantities of such byproducts as tallow and hides and skins.

IMPORTS OF CATTLE, BEEF, AND VEAL SEEM VERY SMALL WHEN COMPARED WITH U.S. PRODUCTION

Year	Cattle and beef imports ¹	Beef and veal production	Imports as percentage of production
Average 1949-53	Mil. lb. 459	Mil. lb. 11,241	Percent 4.2
Annual:			
1954	261	14,610	1.8
1955	315	15,147	2.1
1956	247	16,094	1.5
1957	597	15,739	3.8

¹ Dressed-weight basis.

Trade Gains

U.S. agriculture stands to gain from these imports. U.S. trade in cattle and beef provides foreign countries with money to buy more U.S. farm commodities, and the dollars spent for imports of cattle and beef return to the United States via this route. In 1957, for example, the United States purchased \$167 million worth of farm products from Canada and shipped \$374 million worth to that market. And shipments to Ireland, totaling \$15 million, were almost three times as large as imports from that country. The United States also carried on substantial two-way trade with the other important beef-producing countries—Mexico, Australia, New Zealand, Argentina, and Uruguay.

demand for farm products has not decreased appreciably; nor has the U.S. share of total farm imports. But the danger spots already pointed out might grow. And if they do, U.S. agriculture might be in trouble. Our best defense against this is to continue improving the grades and qualities of our produce and to offer it at world prices.

Nicaragua's Trade Shows Upward Trend

Nicaragua has had record coffee and cotton harvests this season and, despite slow world cotton demand and falling coffee prices, has managed to show a favorable balance of trade for the first quarter of 1958. (Last year the country had a trade deficit of \$9.8 million.)

By the end of March, Nicaragua had shipped 285,000 bags of the current season's coffee abroad and export licenses had been granted for an additional 39,000 bags. This was about 56 percent above shipments for the comparable period last year.

The picture for cotton parallels that of coffee. The harvest far exceeded early estimates and export licenses have been issued for 203,000 bales so far this season—nearly double the amount exported in the entire 1956-57 season.

Improved cultural practices—fertilizing, spraying for insects, and so forth—have contributed largely to the increased output of both cotton and coffee. But these are surplus crops and their export values are down. In light of this, the Nicaraguan Government is looking for other export commodities to help pay the steadily mounting import bill.

Cattle and meat products are being investigated as sources of foreign exchange. Sugar production is increasing and a new processing mill is operating, but finding markets for sugar will be a problem. Another export possibility is cacao; production has gained momentum during the last year. But these are long-term projects and for the present Nicaragua's agricultural economy will continue to depend on world demand and prices of coffee and cotton.

West Germany Buying Russian Feed Grains

The Federal Republic of Germany has signed a trade agreement with the Soviet Union, whereby Russia will ship 150,000 metric tons of feed grains to West Germany through the end of 1958. The bulk of the shipments are expected to be corn. Further, Russia and Germany are now negotiating agreements for feed grain shipments in 1959 and 1960.

Soviet Union Simplifies the Way It Acquires and Pays for Farm Products

The Soviet Union this summer announced a reorganization of its system to procure agricultural commodities from collective farms. The new decree sets up a single system of state purchases at uniform prices within a given region. It replaces the diverse methods and multiple pricing system that the government has been using.

The compulsory principle remains untouched, however; the government will continue to fix the quantities of products to be delivered and the price it will pay.

The decree also cancels the arrears in procurements which, according to Khrushchev, had reached considerable proportions, despite similar cancellations in 1953-54.

Old System

In the past, the Soviet Government had several ways for acquiring and paying for farm products:

Compulsory deliveries to the state of specified quotas of grain, meat, milk, and other nonindustrial products at very low stable prices fixed by the government. (Such deliveries from *private* holdings of members of collective farms and others were abolished beginning with 1958.)

Over-quota purchases by the government of these products at higher—but still fixed—prices. This method had become more important since 1953.

Compulsory deliveries of industrial, or technical, crops like cotton, flax, hemp, and sugar beets under so-called annual contracts between government and collective farms, drawn up on the basis of official plans for production and delivery. Prices for these crops were also fixed by the government.

Government purchases of any deliveries of these crops that exceeded the minimum specified in the contract—at prices that rose as the quantity increased.

Discount prices to collectives on certain products, such as sugar (and grain in cotton growing regions), and provision of seed.

Payment in kind for the work done

by machine tractor stations on collective farms. This was an important source of government acquisition of farm products, but since the spring of 1958 these stations have been in the process of liquidation, selling most of their machinery to the collectives.

New System

Under the new system quantities to be delivered will still be based on quotas per unit of land, but quotas can vary from year to year, depending on the production situation.

Another feature of the new plan is the emphasis on greater regional specialization. Under the old system practically every region was supposed to deliver grain to the government. Under the new system, regions growing principally cotton, for example, or specializing in livestock production may be exempt from grain deliveries. This also took place to a certain extent in the past; collectives could substitute one product for another in obligatory deliveries.

For prices, too, an element of flexibility is introduced. The government will establish a uniform procuring price for each commodity within a large region or zone; and, although these prices generally are to remain stable and be based on long-term averages, they will be permitted to vary when harvest and output fluctuate sharply. Some recognition is thus accorded in the new procurement system to the law of supply and demand.

Price differentials for sales to the state above the quotas, so important under the old system, were abolished by the reform. Whether most of the collectives will gain from this depends on the new level of prices, about which little information is as yet available. Certainly, the net income of the best collectives will be reduced; for as a result of these differentials, collective farms that could deliver more than the planned goals, especially of industrial crops, got much higher prices on the average for the same commodities than the other collectives got.

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Cuba Importing Corn Duty-Free From U.S.

Cuba, with a rapidly expanding broiler industry, is facing a shortage of corn. To date it has authorized duty-free imports of over a million bushels of U.S. shelled corn, but supplies are still short. Additional imports may be necessary to fill needs until the next harvest in August. In light of this, the country will probably continue to authorize duty-free corn imports as they are needed.

Honduras May Subsidize Dairy Cattle Imports

The Government of Honduras is considering a cattle breeders' proposal to subsidize imports of purebred dairy cattle. This move indicates that milk producers and the government are interested in expanding the country's milk supply, which is short at present.

Germany and Hungary Trade Grains, Seeds, and Hops

In a recent trade agreement between West Germany and Hungary, Hungary agreed to buy hops, and field and vegetable seeds valued at \$219,000 from Germany. In return, Germany will take \$3.6 million worth of Hungarian pulses, field and horticultural seeds, seed corn, and rice. The agreement also provides for trade in other agricultural and industrial products.

More Danish Butter Headed For Russia

Denmark recently contracted to sell 15.4 million pounds of butter to the Soviet Union. This is nearly three times the amount shipped last year. The price was not announced; it is, however, believed to be about 23 cents per pound, and delivery will probably take place immediately.

Colombia Tightens Import Controls

Colombia reclassified its import lists recently in a move to reduce imports and improve its balance of payments situation. The changes are not expected to curtail Colombian imports of U.S. farm products except for such commodities as fruits, plants, and seeds. These were formerly on the free list, but now require licenses.

This reclassification is partially a result of Colombia's lowered exports for 1957, when dollar earnings declined for the third consecutive year. Earnings from coffee, Colombia's principal export crop, were substantially reduced because of lower prices and smaller shipments. Except for crude petroleum and fuel oil, earnings of most other important export commodities also were down.

United States Cattle Shipped to Angola

Angola, Portuguese West Africa, imported 22 head of Santa Gertrudis cattle from the United States recently. The animals were bought by a large commercial cattle-raising cooperative, and will be used to improve local stock and to start a purebred herd.